

Message Text

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70

ACTION COME-00

INFO OCT-01 EA-09 NEA-10 ISO-00 EB-07 SS-15 NSC-05 SP-02

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R 190100Z AUG 75

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 2583

INFO AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY TEHRAN

AMEMBASSY BEIRUT

USINT BAGHDAD

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E.O. 11652: N/A

TAGS: JA, IZ

SUBJ: JAPAN FERTILIZER PLANT EXPORT TO IRAQ

REF: BAGHDAD 0846

1.INDUSTRY AND JAPAN EXIM BANK SOURCES HAVE CONFIRMED TO EMBASSY THAT MITSUBISHI GROUP HAS WON INTERNATIONAL BIDDING TO BUILD FERTILIZER COMPLEX IN IRAQ ON TURN-KEY BASIS. ALTHOUGH PROJECT WILL NOMINALLY BE CARRIED OUT UNDER 1973 JAPAN-IRAQ ECONOMIC COOPERATION AGREEMENT, MITSUBISHI GADNERED CONTRACT ONLY AFTER DROPPING ITS BID FROM YEN 300 BILLION (ABOUT \$1 BILLION) TO YEN 170 BILLION (ABOUT \$580 MILLION). AT THAT, EXPORT WIL STILL BE LARGEST SINGLE CONTRACT FOR PLANT EXPORT IN JAPANESE HISTORY.

2. EXIM SOURCE NOTED THAT FORMAL AGREEMENT MAY BE ANNOUNCED IN A FEW DAYS, BUT TROUBLESOME FINANCING PROBLEMS WILL VERY LIKELY REMAIN. NEWSPAPER
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ESTIMATES ARE THAT EXIM WILL SUPPLY SOMEWHAT MORE

THAN \$200 MILLION IN EXPORT CREDITS FOR JAPANESE PLANT EQUIPMENT AND THAT IRAQ WILL BEAR ALL LOCAL COSTS.

3. COMMENT: IF AS ANTICIPATED FINAL DETAILS OF EXIM FINANCING ARE WORKED OUT, FERTILIZER COMPLEX WOULD REPRESENT SOLE SUCCESS AMONG SIX PROJECTS NAMED IN JAPAN-IRAQ ECONOMIC COOPERATION AGREEMENT SIGNED IN AUGUST 1974. DESPITE OFFICIAL PRODDING (MOSTLY FROM MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY) JAPANESE BIG BUSINESS HAS SHOWN MARKED RELUCTANCE TO COMMIT CAPITAL TO LARGE SCALE PROJECTS IN MIDDLE EAST WITHOUT EXTENSIVE OFFICIAL FINANCING. COMBINATION OF PERSISTENT MITI PRESSURE AND FACT THAT MITSUBISHI HEAVY INDUSTRIES HAS BEEN PARTICULARLY HARD HIT BY JAPAN'S RECESSION, PROBABLY ACCOUNTS FOR WILLINGNESS TO BID SO LOW.
HODGSON

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